Approved For Release 2008/09/11 : CIA-RDP86B00338R000200280027-3

APR 8 1983

STATEMENT OF

SECRETARY OF COMMERCE MALCOLM BALDRIGE

BEFORE THE

SUBCOMMITTEE ON NATURAL RESOURCES, AGRICULTURE

RESEARCH AND ENVIRONMENT

AND THE

SUBCOMMITTEE ON SPACE SCIENCE AND APPLICATIONS

OF THE

COMMITTEE ON SCIENCE AND TECHNOLOGY

UNITED STATES HOUSE OF REPRESENTATIVES

APRIL 14, 1983

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CHAIRMAN SCHEUER, CHAIRMAN VOLKMER, MEMBERS OF THE SUBCOMMITTEES, I AM PLEASED TO BE HERE TO DISCUSS THE ADMINISTRATION'S PROPOSAL FOR TRANSFERRING NOAA'S LAND AND WEATHER SATELLITES TO THE PRIVATE SECTOR. I APPRECIATE THE OPPORTUNITY THIS HEARING GIVES US TO SET OUT FOR PUBLIC REVIEW THE ADMINISTRATION PROPOSAL AND THE ARGUMENTS FOR THE PROPOSAL.

THE BEST WAY TO BEGIN IS TO EXPLAIN WHAT THE PRESIDENT DECIDED, AND THEN DISCUSS WHY...

FIRST, THE PRESIDENT RECOGNIZED THAT THERE WOULD BE GREAT BENEFITS TO THE COUNTRY IF THE PRIVATE SECTOR WERE ABLE TO OPERATE LANDSAT AND MARKET THE DATA IT GENERATES BY THE SYSTEM. THIS IDEA IS NOT NEW. THE PREVIOUS ADMINISTRATION RECOGNIZED THE BENEFITS OF PRIVATE OPERATION OF LANDSAT.

SECOND, THE PRESIDENT DECIDED THAT WE SHOULD BEGIN THE WORK NECESSARY TO FIND OUT WHETHER THE PRIVATE SECTOR IS WILLING AND ABLE TO OPERATE EITHER LANDSAT ALONE - OR LANDSAT AND THE WEATHER SATELLITES TOGETHER - OR THE WEATHER SATELLITES ALONE.

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FINALLY, THE PRESIDENT LAID DOWN SOME CLEAR GROUND RULES FOR DECIDING WHETHER IT IS CONSISTENT WITH THE NATIONAL INTEREST TO TRANSFER LANDSAT ALONE OR LANDSAT AND THE WEATHER SATELLITES TO A PRIVATE OPERATOR:

- NO TRANSFER CAN TAKE PLACE UNLESS OUR DEFENSE AND FOREIGN POLICY INTERESTS ARE PROTECTED.

- NO TRANSFER CAN TAKE PLACE UNLESS THE DATA THAT THE WEATHER SERVICE NEEDS TO OFFER THE PUBLIC THE SERVICES IT NOW PROVIDES IS GUARANTEED.

- ALSO, IT HAS TO BE A GOOD DEAL FOR THE TAXPAYERS.

THERE IS A PRESSING NEED TO DEVELOP A STRONG COMMERCIAL MARKET FOR LANDSAT DATA. THE MARKET WILL NOT GROW AS RAPIDLY AS IT SHOULD WHILE LANDSAT IS BEING OPERATED BY A GOVERNMENT AGENCY. GOVERNMENT AGENCIES SIMPLY LACK THE INCENTIVE AND ABILITY TO DEVELOP DOMESTIC AND INTERNATIONAL COMMERCIAL MARKETS. THE PRIVATE SECTOR HAS A PROFIT INCENTIVE AND EXPERIENCE IN MARKETING NEW PRODUCTS. FOR THESE REASONS, THE PRIVATE SECTOR IS FAR MORE ABLE THAN GOVERNMENT TO PERFORM THE CHALLENGING JOB OF EXPANDING THE MARKET BASE FOR LANDSAT DATA.

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THE POTENTIAL FOR COMMERCIAL MARKET DEVELOPMENT IS THERE. OVER THE YEARS, MINERAL AND ENERGY COMPANIES, FIBER AND FOOD CROP INTERESTS, TIMBER PRODUCERS, LAND USE PLANNERS AND HYDROLOGY CONSULTANTS ALL DISCOVERED THERE WAS VALUE IN LANDSAT DATA.

BUT NOAA ISN'T A MARKETING AGENCY. THE TAXPAYERS DON'T EXPECT IT TO TAKE ON COMMERCIAL RISKS NECESSARY FOR DEVELOPING MARKETS FOR GOODS AND SERVICES. THESE ARE TASKS THAT ONLY PRIVATE FIRMS HANDLE WELL. IF THE GOVERNMENT CONTINUES IN CHARGE OF LANDSAT, POTENTIAL ECONOMIC BENEFITS WILL SLIP AWAY FROM US.

AT THE SAME TIME, WE RECOGNIZE THAT OPERATING LANDSAT IN A WAY THAT SATISFIES THE GOVERNMENT'S NEEDS FOR DATA NOW GENERATED BY THE SYSTEM POSES GREAT FINANCIAL RISKS TO A PRIVATE OPERATOR. FOR NATIONAL SECURITY AND FOREIGN POLICY REASONS, THE GOVERNMENT MUST IMPOSE CERTAIN RESTRICTIONS ON ANY PRIVATE OPERATOR. IT IS POSSIBLE THAT NO FIRM WOULD BE WILLING TO TAKE ON OPERATING LANDSAT WITH THESE RESTRICTIONS AND THE NEED TO SPEND THE MONEY NECESSARY TO DEVELOP MARKETS.

ANY PRIVATE FIRM THAT UNDERTAKES TO ACQUIRE THE LANDSAT SYSTEM, BUY FOLLOW-ON SATELLITES AND ESTABLISH A PRIVATE MARKET FACES A VERY REAL RISK. THAT'S THE MAIN REASON FOR ALLOWING THE PRIVATE SECTOR TO BID ON THE WEATHER SATELLITES.

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THEY CAN PROVIDE THE REVENUE BASE A PRIVATE OPERATOR NEEDS TO TAKE ON THE COST OF DEVELOPING PRIVATE COMMERCIAL MARKETS FOR DATA GENERATED BY THE SYSTEMS. DOING THIS EXPANDS THE RANGE OF OPTIONS OPEN TO US IN GOVERNMENT. ONCE BIDS ARE IN, WE MAY FIND THAT THE COMBINATION OF REVENUES FROM WEATHER OPERATIONS AND ECONOMIES MADE POSSIBLE BY INTEGRATING THE SYSTEMS CAN LEAD TO BETTER LAND AND WEATHER DATA FOR EVERYBODY AT LESS COST.

THE WEATHER SERVICE WILL NOT SUFFER. THE DATA IT NEEDS WILL BE AVAILABLE.

I WANT TO MAKE THIS ABSOLUTELY CLEAR: WE ARE NOT DISMANTLING, DISBANDING, SELLING OR IN ANY WAY HARMING THE NATIONAL WEATHER SERVICE. THERE'S BEEN MORE CONFUSION ON THIS ISSUE THAN ON ANY OTHER PART OF OUR PROPOSAL.

THE WEATHER SERVICE WILL BE AROUND FOR A LONG, LONG TIME. THE ONLY DIFFERENCE WE MAY SEE IS THAT THE SATELLITE DATA IT USES WILL COME FROM A PRIVATE OPERATOR INSTEAD OF THE GOVERNMENT'S ENVIRONMENTAL SATELLITE, DATA AND INFORMATION SERVICE, WHERE THE WEATHER SERVICE NOW GETS THE DATA.

I'M JUST AS CONFIDENT THAT WE CAN IDENTIFY AND RESOLVE THE NATIONAL SECURITY AND FOREIGN POLICY ASPECTS OF A TRANSFER.

WE WILL BE CERTAIN THAT AN OPERATOR PROVIDES PRIORITY SERVICE TO THE DEFENSE DEPARTMENT; THAT THERE WILL BE ADEQUATE

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CONTROLS FOR DENYING SATELLITE USE TO HOSTILE FORCES; AND THAT COMMAND AND CONTROL CAN BE TRANSFERRED TO DOD IN EMERGENCIES.

IN ADDITION, WE HAVE NO INTENTION OF CHANGING OUR POLICY OF PARTICIPATING IN THE FREE, INTERNATIONAL EXCHANGE OF WEATHER DATA. WE FULLY UNDERSTAND THAT NO COUNTRY'S FORECASTING SERVICE CAN OPERATE ONLY WITH DATA TAKEN WITHIN IT'S OWN NATIONAL BOUNDARIES.

ANOTHER MAJOR ISSUE THAT WE WILL LOOK AT IS THE EXTENT TO WHICH A PRIVATE OPERATOR CAN CONTROL THE SATELLITE DATA. WE'LL WANT TO GIVE HIM AS MUCH FREEDOM AS WE CAN BUT WE WILL HAVE TO CONSIDER THIS ISSUE FROM AT LEAST TWO STANDPOINTS.

FIRST, WE WILL MAKE SURE THAT INTERNATIONAL ACCEPTANCE OF THE "OPEN SKIES POLICY" IS NOT JEOPARDIZED - THAT IS, OUR FREEDOM TO COLLECT SATELLITE DATA OVER OTHER NATIONS FOR PEACEFUL PURPOSES. TO ENSURE ITS ACCEPTANCE, WE HAVE FOLLOWED A PRACTICE OF SHARING THE BENEFITS OF CIVIL REMOTE SENSING TECHNOLOGY ON A NONDISCRIMINATORY BASIS. THESE POLICIES AND PRACTICES HAVE SERVED US WELL. STRIKING THE PROPER BALANCE BETWEEN THEM AND AN OPERATOR'S NEEDS WILL BE A TOP PRIORITY.

SECOND, WE WILL BE ALERT TO THE POSSIBILITY THAT LANDSAT DATA MAY HAVE IMPORTANT MILITARY VALUE. THIS CAN BE PARTICULARLY

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IMPORTANT AS SATELLITE TECHNOLOGY ADVANCES AND VALUE-ADDED SERVICES BECOME MORE SOPHISTICATED. IT CAN BE ESPECIALLY IMPORTANT IF OUR EFFORTS ARE SO SUCCESSFUL THAT OTHER PRIVATE FIRMS ENTER THE FIELD. WE'LL BE WORKING VERY CLOSELY WITH DOD ON THIS.

IN SHORT, THE TRANSFER WE PROPOSE IS NO EASY THING AND NO SURE THING. BUT NONE OF THE PROBLEMS INVOLVED ARE BEYOND HUMAN EFFORT AND INGENUITY. THEY CAN BE HANDLED BY LEGISLATION, CONTRACTS, REGULATION TO THE EXTENT NEEDED, AND GOOD WORKING RELATIONSHIPS BETWEEN AGENCIES AND THE PRIVATE OPERATOR. IT'S IMPORTANT THAT WE TRY. AND THAT BRINGS ME TO THE LAST PART OF THE ADMINISTRATION'S DECISION: WHY IS IT SO IMPORTANT THAT WE ACT NOW TO FIND OUT IF A TRANSFER IS POSSIBLE?

IF WE CONTINUE WITH GOVERNMENT OPERATION OF THE LAND AND WEATHER SATELLITES AND OTHER COUNTRIES ARE SUCCESSFUL IN THEIR EFFORTS TO DEVELOP AND FLY BETTER SATELLITES AND MEET USER NEEDS, POTENTIAL CUSTOMERS WILL TURN TO THEM. OUR BEST DEFENSE AGAINST IMPENDING COMPETITION IS TO GET THESE SATELLITES INTO THE HANDS OF A COMPETENT FIRM THAT CAN BUILD ON THE TECHNOLOGY AND KNOWS HOW TO PROVIDE WHAT CUSTOMERS NEED.

FRANCE INTENDS TO LAUNCH THE FIRST OF A SERIES OF FOUR LAND-

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OBSER[illegible] THE EUROPEAN SPACE AGENCY, INDIA AND THE SOVIET UNION ARE ALL ACTIVELY DEVELOPING SATELLITE REMOTE SENSING PROGRAMS.

MUCH OF THE TECHNOLOGY ON WHICH THESE PROGRAMS DEPEND WAS DEVELOPED HERE. IT WOULD BE IRONIC IF THESE COUNTRIES, BUILDING ON SKILLS DEVELOPED IN THE UNITED STATES, ESTABLISHED THE KIND OF MARKET THAT NOAA CAN'T AND TURNED US INTO A NET IMPORTER OF SATELLITE DATA PRODUCTS AND SERVICES.

POSTPONING A DECISION WILL ONLY GIVE THESE COUNTRIES A HEAD START THAT WILL BE HARD TO OVERCOME LATER. THE LONGER WE WAIT, THE MORE LIKELY THIS BECOMES.

OUR PLAN WILL LET US FIND OUT ONCE AND FOR ALL IF LANDSAT HAS SUBSTANTIAL ECONOMIC VALUE AND WHETHER A TRANSFER TO THE PRIVATE SECTOR UNDER THE CONDITIONS IMPOSED BY THE PRESIDENT IS POSSIBLE.

WE HAVE A LOT TO DO. WE HAVE TO DEVELOP THE GROUND RULES UNDER WHICH COMPETITIVE BIDDING CAN TAKE PLACE. WE HAVE TO DESIGN A REQUEST FOR PROPOSALS AND A PROCEDURE FOR EVALUATING THE PROPOSAL SUBMITTED. WE HAVE TO ESTABLISH AN INTER-AGENCY COORDINATING BODY TO MAKE SURE ALL PROPER FEDERAL INTERESTS ARE TAKEN CARE OF. IF WE FIND THAT A TRANSFER IS FEASIBLE, WE WILL HAVE TO DEVELOP AND SUBMIT TO THE CONGRESS THE LEGISLATIVE AUTHORIZATION NECESSARY TO ACHIEVE A TRANSFER.

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BUT WE WILL NOT WAIT UNTIL WE PROPOSE LEGISLATIVE AUTHORIZATION FOR A TRANSFER TO CONSULT WITH THE APPROPRIATE CONGRESSIONAL COMMITTEES. WE INTEND TO INVOLVE THESE COMMITTEES IN EVERY SIGNIFICANT STEP WE TAKE. IN FACT, WHAT I HAVE IN MIND IS MORE THAN "CONSULTING." WE'LL BE ACTIVELY SEEKING CONGRESS' ADVICE AND GUIDANCE AS WE GO ALONG. WE'RE PRETTY SURE CONGRESS WON'T BE TOO SHY ABOUT PROVIDING IT.

THANK YOU.

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